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Adopt Resolution Temporarily Deferring the Water Capital Improvement Fee for Restaurants, Cafes, and Coffee Shops in the Central Business District

Staff sought direction from the City Council on Utility Capacity Fee Waiver/Deferral programs in September of 2019. The Council established a program to allow for deferral of capacity fees associated with housing. Deferral of development Impact Fees (AKA Capacity fees) is codified in the Fort Bragg Municipal Code Section 15.36. Such fees can be deferred up to three years, depending on the amount of fees and the project. At that meeting, staff polled the Council on whether or not there was interest in expanding a Capacity Fee Deferral program beyond housing projects in an effort to encourage or assist development in certain areas or industries. Those proposed options included using a deferral or waiver program in the Central Business District (CBD) to attract new businesses and to encourage the installation of sprinklers. At that time, the Council was not inclined to extend the program for deferral to commercial development.

At the April 14, 2021 Finance and Administration Committee meeting, the Committee recommended that the City Council adopt a temporary waiver of water and wastewater capacity fees for restaurant and food service businesses locating in the Central Business District for a two-year period. The Committee also recommended discounting water and wastewater capacity fees by twenty-five percent (25%) in all other zoning districts in the City limits for a two-year period. After review by the City Attorney, staff is recommending that the City Council adopt a temporary Water Capacity Fee deferral program that would encourage restaurants, cafes and coffee shops to locate in the Central Business District.

The current discussion on providing assistance with capacity fees is part of the City's focus on economic development for the CBD. During the pandemic and Stay at Home Orders, small businesses, particularly those deemed "not essential" were the hardest hit by the economic shutdown. Many of those small unique businesses are located in the CBD and are part of what attracts visitors to Fort Bragg and encourages them to get out of their cars and spend dollars here.

Restaurants, bakeries, bars, and other food and drink establishments are often cited as creating pedestrian traffic for downtown districts, malls and other shopping centers or areas. Similar to “anchor stores” these businesses become a destination for customers who will often patronize other stores or businesses once they are out of their cars or are in the area.

These types of businesses in certain locations can also be a mainstay of tourism. The lack of food and drink businesses in the Central Business District (CBD), particularly on Franklin Street, has been cited as a contributing factor to the increase in vacant buildings. This lack has also been blamed as partially responsible for the limited hours of operation in the CBD, which in turn reduces the pedestrian traffic. Even if these claims lack concrete evidence, the presence of busy restaurants, coffee shops, and eateries in historical and unique downtowns and communities is a tried and true way to get folks out of cars and into shops and local businesses. For food service businesses, capacity fees are often cited as the reason these new businesses are not able to financially make a new business viable. If a food service business is occupying a space previously used as a restaurant, then the capacity fees have likely been paid for that space and there is no intensification of use that would trigger additional fees due. However, if the space has not been used in a more water/sewer intensive manner, such as a restaurant, a new food service business would trigger the additional capacity fees.

These fees can be as high as \$50,000, and more often than not, make the business financially unfeasible. Staff recommends temporarily deferring Water Capacity Fees in the Central Business District for Restaurants, Cafes, and Coffee Shops as defined in the Inland Land Use & Development Code. As currently written, the Resolution defers Water Capacity Fees until December 31, 2023. Staff does not recommend reducing fees for Restaurants, Cafes, and Coffee Shops outside of the CBD because there is not sufficient benefit or policy justification for that action. In order to ensure that water capital projects are funded and not delayed, the City's General Fund shall loan and/or pay the water capacity fee fund the amount of any deferred capacity fee under this temporary program.